

**HARRISON COUNTY, IOWA
Independent Auditors' Report
Basic Financial Statements
and
Supplementary Information
Schedule of Findings and
Questioned Costs
June 30, 2006**

HARRISON COUNTY, IOWA

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HARRISON COUNTY, IOWA

COUNTY OFFICIALS

Name	Title	Term Expires
Rolland A. Roberts	Board of Supervisors	12-31-08
Larry D. King	Board of Supervisors	12-31-06
Robert V. Smith	Board of Supervisors	12-31-06
Susan E. Bonham	County Auditor	12-31-08
Vicki Argotsinger	County Treasurer	12-31-06
Lorie A. Thompson	County Recorder	12-31-06
Terry A. Baxter	County Sheriff	12-31-08
Judson Frisk	County Attorney	12-31-06
Dennis Alvis	County Assessor	01-01-09



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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Harrison County, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of HARRISON COUNTY, IOWA, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Harrison County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison County at June 30, 2006, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2007 on our consideration of Harrison County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, pages 4 through 8, and budgetary comparison information on pages 31 through 33 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Harrison County's basic financial statements. The supplementary information including the combining nonmajor financial statements and supplemental data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Williams & Company P.C.

Certified Public Accountants

Onawa, Iowa
May 1, 2007

**HARRISON COUNTY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2006**

As the Board of Supervisors of Harrison County, Iowa, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- During the year, the county had expenses of \$13,258,565 which was \$1,166,957 more than the prior year.
- The County collected \$18,560,216 in property taxes and tax credits. Of that amount, the County retained \$5,661,291 to finance County operations. This was a 2.60% decrease from last year.
- The County received \$2,728,110 in road use tax allocation, which was \$202,769 more than last year.
- Interest on Investments during the year was \$317,305, which was up from last year's total of \$193,104.
- The County's total General Obligation debt decreased by \$410,000 during the current fiscal year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE COUNTY AS A WHOLE

One of the most important questions asked about the County's finances is, "is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net-assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities the County's governmental activities are displayed. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However the County establishes many other funds to help it control and manage money for particular purposes.

Harrison County has two kinds of funds: Governmental funds and Fiduciary funds.

Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds may include: (1) the general fund (general basic and general supplemental), (2) the special revenue funds such as mental health, rural services, secondary roads and others, (3) the debt service fund, and (4) the capital projects fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Fiduciary funds are used to report assets held in a trust or agency capacity for others and can't be used to support the government's own programs. These fiduciary funds include agency funds that account for employee health insurance, drainage districts, emergency management services and the county assessor.

The fiduciary funds require financial statements to include a statement of fiduciary assets and liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. Harrison County's net assets for FY 2006 total \$30,151,789. The analysis that follows focuses on the changes of the net assets for our governmental activities:

Net Assets of Governmental Activities:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current and other assets	\$ 18,026,505	\$ 17,818,171
Capital Assets	<u>22,443,429</u>	<u>22,499,528</u>
TOTAL ASSETS	<u>40,469,934</u>	<u>40,317,699</u>
Long Term Debt Outstanding	2,900,000	3,310,000
Other Liabilities	<u>7,418,145</u>	<u>6,635,583</u>
TOTAL LIABILITIES	<u>10,318,145</u>	<u>9,945,583</u>
Net Assets		
Invested in capital assets, net of related debt	20,808,429	20,694,528
Restricted	1,323,364	1,556,884
Unrestricted	<u>8,019,996</u>	<u>8,120,704</u>
TOTAL NET ASSETS	\$ <u>30,151,789</u>	\$ <u>30,372,116</u>

The largest portion of the County's net assets is the Invested in Capital Assets (land, infrastructure, buildings, and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets, since they are unavailable for future spending. Restricted net assets represent resources that are subject to external restrictions, constitutions provisions, or enabling legislation on how they can be used. Unrestricted net assets are the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements.

**Changes in Net Assets of Governmental Activities
June 30, 2006**

REVENUES

	<u>2006</u>	<u>2005</u>
Program Revenues		
Charges for Services	\$ 1,353,040	\$ 1,458,842
Program Revenues, Operating Grants & Contributions & Interest	371,414	360,396
Capital Grants & Contributions	629,371	43,640
General Revenues		
Property Taxes	5,227,085	5,380,506
Penalty & Interest on Taxes	59,258	68,493
State Tax Credits	374,948	363,254
Local Option Sales Tax	462,321	431,509
Road Use Tax	2,728,110	2,489,753
Unrestricted Investment Earnings	317,305	193,104
Other General Revenues	<u>1,508,386</u>	<u>1,170,840</u>
Total Revenues	13,031,238	11,960,337

PROGRAM EXPENSES

Public Safety & Legal Services	1,820,056	1,749,387
Physical Health & Social Services	1,433,555	1,264,558
Mental Health, MR & DD	1,518,473	1,553,127
County Environment & Education	1,050,630	1,201,420
Roads & Transportation	5,718,876	5,088,449
Government Services to Residents	573,604	391,063
Administration	982,870	675,210
Interest on Long Term Debt	<u>153,501</u>	<u>168,394</u>

TOTAL EXPENSES	<u>13,251,565</u>	<u>12,091,608</u>
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Change in Net Assets	(220,327)	(131,271)
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Net Assets Beginning of Year	<u>30,372,116</u>	<u>30,503,387</u>
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Net Assets End of Year	<u>\$ 30,151,789</u>	<u>\$ 30,372,116</u>
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Harrison County's January 1, 2004 taxable valuation (payable in fiscal year 2005-06) was \$531,269,363, a decrease of \$4,609,371 from the previous year.

Harrison County decreased their levy rate per \$1000 by \$0.30403 as shown on the following chart of property tax rates from fiscal year ending June 30, 2005 to fiscal year ending June 30, 2006.

	Fy06	Fy05
General Basic/General Supplemental	6.35848	6.09084
MH-DD	1.22348	1.71785
Rural Basic	3.25950	3.34005
Debt Service	<u>.43971</u>	<u>.43646</u>
TOTAL	<u>11.28117</u>	<u>11.58520</u>

INDIVIDUAL MAJOR FUND ANALYSIS

Harrison County completed the year with its governmental funds reporting a combined balance of \$10,825,672. This is \$668,065 less than the combined fund balance of the fiscal year ending June 30, 2005 fund balance.

The General fund ended the year with a balance of \$3,179,623. This is an increase of \$281,766 from the Fy05 fund balance.

The MH-DD fund had an ending balance of \$170,412. This is a decrease of \$258,678 from the Fy05 fund balance.

The Rural Services fund had an ending balance of \$1,557,156. This is an increase of \$66,262 from the Fy05 fund balance.

Secondary Roads had a fiscal year ending June 30, 2006 ending balance of \$4,878,368 which was a \$164,580 decrease from the Fy05 fund balance.

The Shadow Valley TIF fund had an ending balance of \$39,519. This is an increase of \$10,755 from the Fy05 fund balance

The Debt Service fund had a fiscal year ending June 30, 2006 ending balance of \$1,256,664. In Fy05, the ending fund balance was \$1,496,074.

General Budgetary Highlights

The Harrison County budget was amended on June 1, 2006. The amendment included increasing the revenues by \$204,617, when broken down reflects an increase of \$208,136 for Intergovernmental revenues (grants and reimbursements); \$20,000 for Charges for Service; and (\$23,519) for Miscellaneous.

On the expense side, the amendment increases included \$61,486 under Public Safety; \$70,572 for Physical Health & Social Services; \$97,500 for MH-DD; \$26,500 for County Environment and Education; \$53,500 for Governmental Services; \$64,500 for Administrative Services; \$8,000 for Debt Service; and \$55,000 for Capital Projects for a grand total of \$437,058.

Operating transfers amounted to \$1,144,211.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Harrison County ended Fy06 with approximately \$22,443,429 invested in a broad range of capital assets compared to \$22,499,528 for Fy05. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and bridges.

Depreciation expense of \$1,306,904 and the total accumulated depreciation of \$14,942,495 were reported as of June 30, 2006.

Debt

Harrison County had the following general obligation bonds outstanding as of the end of Fy06.

		Fy06	Fy05
1996	Solid Waste Disposal	\$ 1,115,000	\$ 1,270,000
1999	Law Enforcement Center	1,175,000	1,295,000
2000	Solid Waste Disposal	80,000	155,000
2001	Solid Waste Disposal	70,000	80,000
2003	Courthouse HVAC System	460,000	510,000

The bonds for the Solid Waste Disposal are for the Harrison County Landfill Commission. They are operated under a 28E agreement among the County and all 10 cities within the County. The Harrison County Landfill Commission is responsible for their debt. However, because these notes are General Obligation debt, the County will record all debt and related payments to their annual financial report and record an offsetting receivable in the Debt Service fund.

Economic Factors and Next Year's Budgets and Rates:

Harrison County's Board of Supervisors considered many factors for the fiscal year 2006 budget. Taxable valuations were near last year's levels. Most of the departments tried to stay at the same tax asking as the previous year.

The estimated July 1, 2005 population of Harrison County was 14,884, and increase of 218 from the 15,666 as reported on the 2000 census. Harrison County has a labor force of 8,460 and an unemployment rate of 3.1% as reported on the December, 2006 monthly report by the Iowa Workforce Development.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Harrison County Auditor's Office, Harrison County, 111 North Second Ave, Logan, IA 51546.

HARRISON COUNTY, IOWA
Statement of Net Assets
June 30, 2006

	Governmental Activities
ASSETS	
Cash and Pooled Investments	\$ 7,299,690
Receivables	
Accounts	263,578
Property Tax	
Delinquent	62,265
Succeeding Year	5,726,928
Special Assessments	98,522
Accrued Interest	18,059
Notes (Note 11)	1,265,000
Due from Other Governments	527,261
Advance to Other Funds	2,000
Prepaid Maintenance	25,500
Prepaid Insurance	33,200
Inventories	2,697,152
Bond Issuance Costs	7,350
Land (Note 7)	1,375,875
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 7)	21,067,554
Total Assets	40,469,934
LIABILITIES	
Accounts Payable	745,232
Accrued Interest Payable	14,911
Salaries and Benefits Payable	67,179
Compensated Absences-Current	396,727
Due to Other Governments (Note 8)	91,626
Advance from Other Funds	2,000
Drainage Warrants Payable	118,394
Deferred Revenue	
Succeeding Year Property Tax	5,726,928
Long-Term Liabilities (Note 9)	
Portion Due or Payable Within One Year	
General Obligation Bonds	430,000
Portion Due or Payable After One Year	
General Obligation Bonds	2,470,000
Compensated Absences	255,148
Total Liabilities	10,318,145
NET ASSETS	
Invested in Capital Assets, Net of Related Debt (Note 7)	20,808,429
Restricted for	
Land Fill Note Receivable	1,265,000
Conservation Land Acquisition	23,240
Unrestricted	8,055,120
Total Net Assets	\$ 30,151,789

See Accompanying Notes to Financial Statements

HARRISON COUNTY, IOWA

Statement of Activities For the Year Ended June 30, 2006

			Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses	Charges for Services			
Functions/Programs					
Governmental Activities					
Public Safety and Legal Services	\$ 1,820,056	\$ 176,983	\$ -	\$ -	\$ (1,643,073)
Physical Health and Social Services	1,433,555	706,463	371,414	-	(355,678)
Mental Health	1,518,473	-	-	-	(1,518,473)
County Environment and Education	1,050,630	19,459	-	56,955	(974,216)
Roads and Transportation	5,718,876	-	-	572,416	(5,146,460)
Government Services to Residents	573,604	445,916	-	-	(127,688)
Administrative Services	982,870	4,219	-	-	(978,651)
Interest on Long-Term Debt	153,501	-	-	-	(153,501)
Total	<u>\$ 13,251,565</u>	<u>\$ 1,353,040</u>	<u>\$ 371,414</u>	<u>\$ 629,371</u>	<u>(10,897,740)</u>
General Revenues					
Property and Other County Tax Levied for					
General Purpose					4,999,803
Debt Service					227,282
Penalty and Interest on Property Tax					59,258
State Tax Credits					374,948
Local Option Sales Tax					462,321
Road Use Tax					2,728,110
Drainage Assessments					245,438
General Intergovernmental Revenue					622,038
Unrestricted Investment Earnings					317,305
Reimbursement Private Sources					38,458
Gain on Sale of Fixed Assets					19,500
Miscellaneous					582,952
Total General Revenues					<u>10,677,413</u>
Change in Net Assets					(220,327)
Net Assets - Beginning of Year					30,372,116
Net Assets - End of Year					<u>\$ 30,151,789</u>

See Accompanying Notes to Financial Statements

HARRISON COUNTY, IOWA

**Balance Sheet
Governmental Funds
June 30, 2006**

June 30, 2000

		Special Revenue Funds		
		General	Rural Services	Secondary Roads
Assets				
Cash and Pooled Investments	\$	2,980,410	\$ 1,538,779	\$ 2,249,871
Receivables				
Accounts		100,335		162,828
Property Tax				
Delinquent		43,016	10,983	
Succeeding Year		3,502,120	1,225,524	
Accrued Interest		15,959		
Notes				
Drainage Assessments				
Interfund Receivables		8,361		105
Due from Other Governments		191,912	18,261	257,552
Advance to Other Funds		2,000		
Inventories				2,697,152
Prepaid Maintenance		25,500		
Prepaid Insurance		33,200		
Total Assets		<u>6,902,813</u>	<u>2,793,547</u>	<u>5,367,508</u>
Liabilities and Fund Equity				
Liabilities				
Accounts Payable		156,784		444,115
Accrued Interest Payable				
Salaries and Benefits Payable		22,154		45,025
Interfund Payables		105		
Due to Other Governments				
Advance from Other Funds				
Deferred Revenue				
Succeeding Year Property Tax		3,502,120	1,225,524	
Other		42,027	10,867	
Total Liabilities		<u>3,723,190</u>	<u>1,236,391</u>	<u>489,140</u>
Fund Balances				
Reserved for				
Inventories				2,697,152
Landfill Note Receivable				
Prepaid Maintenance		25,500		
Prepaid Insurance		33,200		
Conservation Land Acquisition				
Unreserved, Reported In				
General Fund		3,120,923		
Special Revenue Funds			1,557,156	2,181,216
Debt Service Fund				
Total Fund Balances		<u>3,179,623</u>	<u>1,557,156</u>	<u>4,878,368</u>
Total Liabilities and Fund Balances	\$	<u>6,902,813</u>	<u>\$ 2,793,547</u>	<u>\$ 5,367,508</u>

See Accompanying Notes to Financial Statements

Special Revenue Funds				
Mental Health	Shadow Valley TIF	Debt Service	Other Governmental Funds	Total
\$ 336,487	\$ 39,519		\$ 154,624	\$ 7,299,690
			415	263,578
6,285		\$ 1,981		62,265
731,687	32,547	235,050		5,726,928
			2,100	18,059
		1,265,000		1,265,000
			98,522	98,522
				8,466
970			58,566	527,261
				2,000
				2,697,152
				25,500
				33,200
<u>1,075,429</u>	<u>72,066</u>	<u>1,502,031</u>	<u>314,227</u>	<u>18,027,621</u>
75,498			68,835	745,232
			4,214	4,214
				67,179
		8,361		8,466
91,626				91,626
			2,000	2,000
731,687	32,547	235,050		5,726,928
6,206		1,956		61,056
<u>905,017</u>	<u>32,547</u>	<u>245,367</u>	<u>75,049</u>	<u>6,706,701</u>
				2,697,152
		1,265,000		1,265,000
				25,500
				33,200
			23,240	23,240
170,412	39,519		215,938	3,120,923
		(8,336)		4,164,241
<u>170,412</u>	<u>39,519</u>	<u>1,256,664</u>	<u>239,178</u>	<u>11,320,920</u>
<u>\$ 1,075,429</u>	<u>\$ 72,066</u>	<u>\$ 1,502,031</u>	<u>\$ 314,227</u>	<u>\$ 18,027,621</u>

HARRISON COUNTY, IOWA
Reconciliation of The Balance Sheet of Governmental Funds
To The Statement of Net Assets
For the Year Ended June 30, 2006

Total Governmental Fund Balances (page 12)	\$ 11,320,920
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Amounts reported for governmental activities in the statement of net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets are \$37,350,924 and the accumulated depreciation is \$14,928,495.	22,443,429
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. This is current deferred revenue on delinquent property tax.	61,056
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Bond issue cost is reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.	7,350
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Compensated absences are reported in the governmental activities but are not reported in the funds as they are not fund liabilities	(396,727)
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Bonds payable for the landfill are not due and payable in the current period and, therefore, are not reported in the funds.	(1,265,000)
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Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,019,239)</u>
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Total Net Assets - Governmental Activities (page 9)	<u>\$ 30,151,789</u>
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HARRISON COUNTY, IOWA
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General	Special Revenue	
		Rural Services	Secondary Roads
Revenue			
Property and Other County Tax	\$ 3,205,123	\$ 1,256,079	
Penalty and Interest on Property Tax	59,258		
Intergovernmental Revenue	652,665	61,869	\$ 3,647,267
Licenses and Permits	22,645		
Charges for Services	1,329,252		3,701
Use of Money and Property	313,032		
Miscellaneous	98,092		374,382
Total Revenue	<u>5,680,067</u>	<u>1,317,948</u>	<u>4,025,350</u>
Expenditures			
Current			
Public Safety and Legal Services	1,746,443		
Physical Health and Social Services	1,382,657		
Mental Health			
County Environment and Education Services	541,327	193,593	
Roads and Transportation			5,244,431
Governmental Services to Residents	559,230		
Administrative Services	1,080,995		
Debt Service			
Principal			
Interest			
Capital Projects			
Total Expenditures	<u>5,310,652</u>	<u>193,593</u>	<u>5,244,431</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>369,415</u>	<u>1,124,355</u>	<u>(1,219,081)</u>
Other Financing Sources (Uses)			
Transfers In			1,144,211
Transfers Out	(86,118)	(1,058,093)	
Total Other Financing Sources (Uses)	<u>(86,118)</u>	<u>(1,058,093)</u>	<u>1,144,211</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	283,297	66,262	(74,870)
Fund Balances - Beginning of Year	2,904,395	1,490,894	5,042,948
(Decrease) in Reserve for Prepaid Maintenance	(4,800)		
Insurance	(3,269)		
(Decrease) in Reserve for Inventory			(89,710)
Fund Balances - End of Year	<u>\$ 3,179,623</u>	<u>\$ 1,557,156</u>	<u>\$ 4,878,368</u>

See Accompanying Notes to Financial Statements

Special Revenue					
Mental Health	Shadow Valley TIF	Debt Service	Other Governmental Funds	Total	
\$ 616,717	\$ 31,655	\$ 227,323		\$ 5,336,897	
				59,258	
626,275		13,864	\$ 137,727	5,139,667	
				22,645	
			16,388	1,349,341	
			4,273	317,305	
16,803		84,355	293,370	867,002	
<u>1,259,795</u>	<u>31,655</u>	<u>325,542</u>	<u>451,758</u>	<u>13,092,115</u>	
			2,669	1,749,112	
				1,382,657	
1,518,473				1,518,473	
	20,900		246,426	1,002,246	
				5,244,431	
				559,230	
			5,412	1,086,407	
		410,000		410,000	
		154,952		154,952	
			59,645	59,645	
<u>1,518,473</u>	<u>20,900</u>	<u>564,952</u>	<u>314,152</u>	<u>13,167,153</u>	
<u>(258,678)</u>	<u>10,755</u>	<u>(239,410)</u>	<u>137,606</u>	<u>(75,038)</u>	
				1,144,211	
				(1,144,211)	
-	-	-	-	-	
(258,678)	10,755	(239,410)	137,606	(75,038)	
429,090	28,764	1,496,074	101,572	11,493,737	
				(4,800)	
				(3,269)	
				(89,710)	
<u>\$ 170,412</u>	<u>\$ 39,519</u>	<u>\$ 1,256,664</u>	<u>\$ 239,178</u>	<u>\$ 11,320,920</u>	

HARRISON COUNTY, IOWA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds (page 15) \$ (75,038)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays, including infrastructure, as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful life of the asset. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,250,805	
Depreciation expense	<u>(1,306,904)</u>	(56,099)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property Tax		5,768
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Current year debt repayments:

Principal Payments		410,000
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Payment of certain expenditures are recorded in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Compensated Absences	\$ (48,309)	
Drainage Warrants	<u>37,876</u>	(10,433)

The effect of bond issuance cost when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities

(1,470)

Some expenses are an expenditure in the governmental funds, but the payment reduces liabilities in the Statement of Net Assets.

Interest on long-term debt		1,451
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Some expenses reported in the Statement of Activities are not reported as expenditures in governmental funds as follows:

Compensated Absences		(396,727)
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Prepaid expenses in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted.

(97,779)

Change in Net Assets of Governmental Activities (page 10)	\$	<u><u>(220,327)</u></u>
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HARRISON COUNTY, IOWA
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Cash and Pooled Investments	
County Treasurer	\$ 722,476
Other County Officials	49,338
Receivables	
Accounts	815
Interest Receivable	1,810
Property Tax	98,817
Delinquent	12,244,377
Succeeding Year	6,047
Current Drainage Assessments	20,205
Future Drainage Assessments	70,789
Total Assets	<u>13,214,674</u>

Liabilities

Accounts Payable	54,207
Salaries and Benefits Payable	4,371
Due to Other Governments	13,138,431
Trusts Payable	17,665
Total Liabilities	<u>\$ 13,214,674</u>

See Accompanying Notes to Financial Statements

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

Harrison County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

- A. Reporting Entity - For financial reporting purposes, Harrison County has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Harrison County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units -- The following component units are entities that are legally separate from the County but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Certain drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Harrison County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Harrison County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - (Continued)

The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Harrison County Assessor's Conference Board, Region XIII Southwest Iowa Planning Council (SWIPCO), Harrison County Emergency Management Commission, Harrison County Joint E-911 Service Board, Harrison County Landfill Commission and Multi-County 28E Agreement Regarding Juvenile Detention Center and Emergency Juvenile Services.

The financial transactions of these organizations are included in the County's financial statements except for Harrison County Assessor's Conference Board, Region XIII Southwest Iowa Planning Council (SWIPCO), Harrison County Emergency Management Commission, Harrison County Joint E911 Service Board, and Harrison County Landfill Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organizations and, as such, are reported in Agency Funds of the County.

B. Basis of Presentation

Government-Wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - (Continued)

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

1. The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.
2. The Secondary Roads Fund is used to account for secondary road construction and maintenance.
3. The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.
4. Shadow Valley TIF is used to account for tax increments financial revenues for the Shadow Valley TIF district.

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

Capital Projects Fund - The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

Fiduciary Funds – The Trust and Agency Funds are used to account for assets received and held by the County in a trustee capacity or as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. These include Expendable Trust Funds and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

- a) Board of Supervisors, County Recorder, County Sheriff, Agricultural Extension, County Assessor, Schools, Area Schools, Corporations, Townships, Future Tax Payments, Auto License and Use Tax, City Special Assessment, Brucellosis and Tuberculosis Eradication, Drainage District, Emergency Management Services, Rural Tax Sale Redemption, E-911 Service Commission, Preservation Commission, Cafeteria Plan,

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - (Continued)

Driver's License Trust, Future Tax Holding, Self Funded Health Insurance - To account for the collection of various revenue sources, including property taxes, auto licenses, payroll withholding, and special assessments, and the apportioning and disbursing of such funds to the applicable taxing authorities.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after the year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursements grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Assets, Liabilities, and Fund Equity

Cash and Temporary Investments - The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements;

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - (Continued)

certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Drainage assessments receivable represent assessments which are due and payable but have not been collected. Future drainage assessments receivable represent amounts which will be assessed to individuals and levied against their property in the future for work already done on drainage districts which benefit their property.

Interfund Activity - During the course of operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Advances To/From Other Funds – During the course of the operations, the General Fund advanced \$50,000 to the Conservation Land Acquisition Fund for the purpose of construction of a cabin. The Conservation Land Acquisition Fund has repaid \$30,000 and \$18,000 in fiscal years June 30, 2006 and 2005 respectively, leaving a balance of \$2,000.

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - (Continued)

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories and Capital Assets

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 50,000
Land, Buildings and Improvements	5,000
Equipment and Vehicles	5,000

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Improvements	25 – 50
Infrastructure	10 – 65
Equipment	3 – 20
Vehicles	5 – 15

Due To Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represent amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - (Continued)

Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivables, and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences and Related Employee Benefits – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the County Environment and Education, Roads and Transportation, and Government Services to Residents functions.

Note 2 - Cash and Pooled Investments

The County's deposits at June 30, 2006 were entirely covered by federal depository insurance collateralized with securities or letter of credit held by the County or the County's agent in the County's name, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper.

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 2 - Cash and Pooled Investments -- (Continued)

perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 3 - Pension and Retirement

Iowa Public Employees Retirement System -The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 8.20% and 8.20%, respectively and protected occupations such as the conservation department, whose percentages are 6.16% and 9.23%, respectively. Contribution requirements are established by State statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$245,703, \$236,883, and \$233,208, respectively, equal to the required contributions for each year.

Note 4 - Local Government Risk Pool

Harrison County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members that include various entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 4 - Local Government Risk Pool - (Continued)

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contribution to the Pool for the year ended June 30, 2006 was \$220,138.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public official's liability risk up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks including Automobile physical damage are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event of casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with the employee blanket bond. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for Workman's Compensation insurance.

Note 5 - Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service	\$ 8,361
General Fund	Secondary Roads	105
Total		<u>\$ 8,466</u>

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfers To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue -		
Secondary Roads	General	\$ 86,118
Secondary Roads	Special Revenue – Rural Services	<u>1,058,093</u>
Total Transfers		<u>\$ 1,144,211</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 7 - Capital Assets

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ <u>1,375,875</u>			\$ <u>1,375,875</u>
Capital Assets Being Depreciated:				
Buildings	5,289,970	\$ 47,427		5,337,397
Machinery and Equipment	6,872,411	656,220	\$ 517,354	7,011,277
Infrastructure	<u>23,064,852</u>	<u>596,523</u>		<u>23,661,375</u>
Total Capital Assets Being Depreciated	35,227,233	1,300,170	517,354	36,010,049
Less Accumulated Depreciation for:				
Buildings	1,098,263	143,784		1,242,047
Machinery and Equipment	3,704,755	429,470	467,989	3,666,236
Infrastructure	<u>9,300,562</u>	<u>733,650</u>		<u>10,034,212</u>
Total Accumulated Depreciation	<u>14,103,580</u>	<u>1,306,904</u>	<u>467,989</u>	<u>14,942,495</u>
Total Capital Assets Being Depreciated, Net	<u>21,123,653</u>	<u>(6,734)</u>	<u>49,365</u>	<u>21,067,554</u>
Governmental Activities Capital Assets, Net	\$ <u>22,499,528</u>	\$ <u>(6,734)</u>	\$ <u>49,365</u>	\$ <u>22,443,429</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
Public Safety and Legal Services	\$ 73,634
Physical Health and Social Services	19,641
County Environment and Education Services	44,605
Roads and Transportation	1,110,212
Governmental Services to Residents	1,922
Administrative Services	<u>56,890</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 1,306,904</u>

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 7 - Capital Assets - (Continued)

Net Assets Invested in Capital Assets Net of Related Debt:	
Governmental Activities Capital Assets, Net	22,443,429
General Obligation Bonds Outstanding:	
Correction Facility Bonds	1,175,000
Geothermal System Bonds	<u>460,000</u>
	<u>1,635,000</u>
	<u>\$ 20,808,429</u>

Note 8 - Due to Other Governments

The County purchases services from other governmental units and also acts as fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
<u>Governmental Funds</u>		
Special Revenue		
Mental Health	Services	\$ <u>91,626</u>
<u>Agency Funds</u>		
County Assessor Collections		160,823
Schools		8,741,384
Community Colleges		355,795
Corporations		2,941,005
Townships		229,952
Auto License and Use Tax		312,019
All Other		<u>397,453</u>
Total for Agency Funds		<u>\$ 13,138,431</u>

Note 9 - Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	<u>Compen- sated Absences</u>	<u>Drainage Warrants</u>	<u>General Obligation Bonds</u>	<u>Total</u>
Balance Beginning of Year	\$ 206,839	\$ 156,270	\$ 3,310,000	\$ 3,673,109
Increases	48,309			48,309
Reductions	<u>-</u>	<u>37,876</u>	<u>410,000</u>	<u>447,876</u>
Balance End of Year	<u>\$ 255,148</u>	<u>\$ 118,394</u>	<u>\$ 2,900,000</u>	<u>\$ 3,273,542</u>

In July 1996, the County issued \$2,265,000 in General Obligation Solid Waste Disposal Capital Loan Notes to provide for long-term financing of Bond Anticipation Notes issued to construct facilities for the collection and disposal of solid waste.

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 9 - Changes in Long-Term Debt – (Continued)

In June 2000, the County issued \$500,000 in General Obligation Solid Waste Disposal Notes to provide long-term financing for the construction of the expansion of the Harrison County Landfill. In May, 2002, the County issued \$100,000 in General Obligation solid waste disposal notes to finance the construction of an office building at the Harrison County Landfill. This debt will be financed by the Harrison County Landfill Commission, which executed an agreement with Harrison County to be responsible for all debt service payments. Because these notes are General Obligation debt, the County will record all debt and related payments on their annual financial report and record an offsetting receivable in the Debt Service Fund (Note 12).

In February 1999, the County issued \$1,900,000 in General Obligation Bonds to finance the construction of the new Harrison County Law Enforcement Center in Logan, Iowa. The debt matures June, 2014.

In December 2003, the County issued \$560,000 in General Obligation bonds to finance the installation of a new HVAC System in the County Courthouse. The debt matures in December 2013.

The annual requirements to retire bonds are listed below. Interest rates range from 1.75% to 5.9%.

Year Ending <u>June 30,</u>	General Obligation <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 430,000	\$ 135,026	\$ 565,026
2008	365,000	115,547	480,547
2009	380,000	98,770	478,770
2010	400,000	80,851	480,851
2011	425,000	61,436	486,436
2012 - 2014	<u>900,000</u>	<u>67,749</u>	<u>967,749</u>
Total	\$ <u>2,900,000</u>	\$ <u>559,379</u>	\$ <u>3,459,379</u>

Note 10 - Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented.

Drainage warrants are paid from the Special Revenue Fund solely from special assessments against benefited properties.

Note 11 - Notes Receivable

Harrison County has issued general obligation bonds for the Harrison County Landfill Commission to finance expansion and building projects. The balance of these bonds is \$1,265,000 at June 30, 2006. The landfill reimburses the County for the bond and interest payments, with the interest ranging from 3.6% to 5.9%, see Note 9.

HARRISON COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

Note 11 - Notes Receivable – (Continued)

The bond payments constitute a receivable to the County and are recorded in the debt service fund. The future principal payments are listed below.

Year Ending June 30,	Loan Principal
2007	\$ 255,000
2008	180,000
2009	190,000
2010	200,000
2011	440,000
Total	<u>\$ 1,265,000</u>

Note 12 – Local Government Guarantee

The Harrison County Board of Supervisors participates in an agreement with the Harrison County Landfill Commission, a political subdivision created under Chapter 28F of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

State and federal laws and regulations require the Commission to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and postclosure costs to the Commission have been estimated at \$429,714 and \$822,085 as of March 27, 2006. The Commission has begun to accumulate resources to fund these closure costs, and at June 30, 2006 deposits of \$658,021 are held for these purposes. Since the commission is anticipated to accumulate the full amount of funds required for closure and postclosure during the life of the landfill, no liability has been recognized on the County's financial statements.

The County has provided a Local Government Guarantee for the closure and postclosure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. The County's financial assurance obligation equals \$1,251,799.

HARRISON COUNTY, IOWA
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in
Balances - Budget and Actual (Cash Basis) - All Governmental Funds
Required Supplementary Information
For the Year Ended June 30, 2006

	Governmental Funds Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
		Original	Final	
Receipts				
Property and Other County Tax	\$ 5,063,632	\$ 5,538,928	\$ 5,538,928	\$ (475,296)
Interest and Penalty on Property Tax	58,723	52,000	52,000	6,723
Intergovernmental	4,972,032	4,681,513	4,889,649	82,383
Licenses and Permits	24,220	26,100	26,100	(1,880)
Charges for Service	525,560	402,750	422,750	102,810
Use of Money and Property	348,483	264,830	264,830	83,653
Miscellaneous	691,987	603,427	579,908	112,079
Total Receipts	<u>11,684,637</u>	<u>11,569,548</u>	<u>11,774,165</u>	<u>(89,528)</u>
Disbursements				
Public Safety and Legal Services	1,788,719	1,734,136	1,795,622	6,903
Physical Health and Social Services	1,326,340	1,380,306	1,450,878	124,538
Mental Health	1,575,108	1,578,317	1,675,817	100,709
County Environment and Education	765,767	736,620	763,120	(2,647)
Roads and Transportation	4,554,941	4,548,000	4,548,000	(6,941)
Government Services to Residents	585,983	443,012	496,512	(89,471)
Administrative Services	1,085,250	1,030,381	1,094,881	9,631
Debt Service	564,920	558,926	566,926	2,006
Capital Projects	367,852	404,850	459,850	91,998
Total Disbursements	<u>12,614,880</u>	<u>12,414,548</u>	<u>12,851,606</u>	<u>236,726</u>
Excess (Deficiency) of Receipts Over Disbursements	(930,243)	(845,000)	(1,077,441)	147,198
Balance Beginning of Year	<u>7,653,660</u>	<u>7,487,433</u>	<u>7,487,433</u>	<u>166,227</u>
Balance End of Year	<u>\$ 6,723,417</u>	<u>\$ 6,642,433</u>	<u>\$ 6,409,992</u>	<u>\$ 313,425</u>

HARRISON COUNTY, IOWA
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
For the Year Ended June 30, 2006

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues			
Property and Other County Tax	\$ 5,063,632	\$ 273,265	\$ 5,336,897
Interest and Penalty on Property Tax	58,723	535	59,258
Intergovernmental	4,972,032	167,635	5,139,667
Licenses and Permits	24,220	(1,575)	22,645
Charges for Service	525,560	823,781	1,349,341
Use of Money and Property	348,483	(31,178)	317,305
Miscellaneous	691,987	175,015	867,002
Expenditures			
Public Safety and Legal Services	(1,788,719)	39,607	(1,749,112)
Physical Health and Social Services	(1,326,340)	(56,317)	(1,382,657)
Mental Health	(1,575,108)	56,635	(1,518,473)
County Environment and Education	(765,767)	(236,479)	(1,002,246)
Roads and Transportation	(4,554,941)	(689,490)	(5,244,431)
Government Services to Residents	(585,983)	26,753	(559,230)
Administrative Services	(1,085,250)	(1,157)	(1,086,407)
Debt Service	(564,920)	(32)	(564,952)
Capital Projects	(367,852)	308,207	(59,645)
Net	(930,243)	855,205	(75,038)
Beginning Fund Balances	7,653,660	3,840,077	11,493,737
Increase in Reserve for			
Inventories		(89,710)	(89,710)
Prepaid Maintenance		(4,800)	(4,800)
Prepaid Insurance		(3,269)	(3,269)
Ending Fund Balances	<u>\$ 6,723,417</u>	<u>\$ 4,597,503</u>	<u>\$ 11,320,920</u>

HARRISON COUNTY, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2006

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds, and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$437,058. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 system by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the County Environment and Education, Roads and Transportation, and Government Services to Residents functions.

HARRISON COUNTY, IOWA
Combining Balance Sheet
Governmental Nonmajor Funds
June 30, 2006

	Federal Revenue Sharing	Resource Enhancement and Protection	County Recorder's Records Management Fund	DARE
Assets				
Cash and Pooled Investments	\$ 61	\$ 37,140	\$ 9,552	\$ 2,407
Receivables				
Accounts			415	
Accrued Interest	1	740	189	
Assessments Receivables		-		
Due from Other Governments		5,621		
Total Assets	<u>62</u>	<u>43,501</u>	<u>10,156</u>	<u>2,407</u>
Liabilities and Fund Equity				
Liabilities				
Accounts Payable				
Interest Payable				
Advance from Other Funds				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Equity				
Fund Balances (Deficit)				
Reserved for				
Conservation Land Acquisition				
Unreserved (Deficit)	62	43,501	10,156	2,407
Total Fund Equity (Deficit)	<u>62</u>	<u>43,501</u>	<u>10,156</u>	<u>2,407</u>
Total Liabilities and Fund Equity	<u>\$ 62</u>	<u>\$ 43,501</u>	<u>\$ 10,156</u>	<u>\$ 2,407</u>

Supplemental Environmental	Conservation Easement Monitor	Sheriff's Seizure Fund	Flood and Erosion	Drug Search and Seizures	Sheriff's K-9	Sheriff's Officer Memorial
\$ 297	\$ 20,792	\$ 1,600	\$ 31,574	\$ 6,929	\$ 118	\$ 601
6	422					
<u>303</u>	<u>21,214</u>	<u>1,600</u>	<u>31,574</u>	<u>6,929</u>	<u>118</u>	<u>601</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
303	21,214	1,600	31,574	6,929	118	601
303	21,214	1,600	31,574	\$ 6,929	118	601
<u>\$ 303</u>	<u>\$ 21,214</u>	<u>\$ 1,600</u>	<u>\$ 31,574</u>	<u>\$ 6,929</u>	<u>\$ 118</u>	<u>\$ 601</u>

(Continued)

HARRISON COUNTY, IOWA
Combining Balance Sheet
Governmental Nonmajor Funds
June 30, 2006

(Continued)

	Pass Thru Grants	Capital Projects	Drainage Districts	Conservation Land Acquisition Trust	Total Governmental Nonmajor Funds
Assets					
Cash and Pooled Investments	\$ 5,000	\$ 2,015	\$ 11,027	\$ 25,511	\$ 154,624
Receivables					
Accounts					415
Accrued Interest Receivable				742	2,100
Assessments Receivables			98,522		98,522
Due from Other Governments	5,000	47,945			58,566
Total Assets	<u>10,000</u>	<u>49,960</u>	<u>109,549</u>	<u>26,253</u>	<u>314,227</u>
Liabilities and Fund Equity					
Liabilities					
Accounts Payable	10,000	47,695	10,127	1,013	68,835
Interest Payable			4,214		4,214
Advance from Other Funds				2,000	2,000
Total Liabilities	<u>10,000</u>	<u>47,695</u>	<u>14,341</u>	<u>3,013</u>	<u>75,049</u>
Fund Equity					
Fund Balances (Deficit)					
Reserved for					
Conservation Land Acquisition				23,240	23,240
Unreserved (Deficit)		2,265	95,208		215,938
Total Fund Equity (Deficit)	<u>-</u>	<u>2,265</u>	<u>95,208</u>	<u>23,240</u>	<u>239,178</u>
Total Liabilities and Fund Equity	<u>\$ 10,000</u>	<u>\$ 49,960</u>	<u>\$ 109,549</u>	<u>\$ 26,253</u>	<u>\$ 314,227</u>

HARRISON COUNTY, IOWA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Governmental Nonmajor Funds
Year Ended June 30, 2006

	Federal Revenue Sharing	Resource Enhancement and Protection	County Recorder's Records Management Fund	DARE
Revenues				
Intergovernmental Revenue		\$ 10,801		
Charges for Services			\$ 4,219	
Use of Money and Property	\$ 3	1,608	549	
Miscellaneous				
Total Revenues	3	12,409	4,768	-
Expenditures				
Current				
Public Safety and Legal Services				\$ 187
County Environment and Education Services				
Administrative Services			5,412	
Capital Projects				
Total Expenditures	-	-	5,412	187
Excess (Deficiency) of Revenues Over Expenditures	3	12,409	(644)	(187)
Fund Balances (Deficit) - Beginning of Year	59	31,092	10,800	2,594
Fund Balances - End of Year	\$ 62	\$ 43,501	\$ 10,156	\$ 2,407

<u>Supplemental Environmental</u>	<u>Conservation Easement Monitor</u>	<u>Sheriff's Seizure Fund</u>	<u>Flood and Erosion</u>	<u>Drug Search and Seizures</u>	<u>Sheriff's K-9</u>	<u>Sheriff's Officer Memorial</u>
				\$ 110		
\$ 14	\$ 7,918		\$ 40,000			
14	7,918	\$ -	40,000	110	-	-
				2,394	\$ 88	
			24,893			
-	-	-	24,893	2,394	88	-
14	7,918	-	15,107	(2,284)	(88)	-
289	13,296	1,600	16,467	9,213	206	\$ 601
<u>\$ 303</u>	<u>\$ 21,214</u>	<u>\$ 1,600</u>	<u>\$ 31,574</u>	<u>\$ 6,929</u>	<u>\$ 118</u>	<u>\$ 601</u>

(Continued)

HARRISON COUNTY, IOWA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Governmental Nonmajor Funds
Year Ended June 30, 2006

(Continued)

	Pass Thru Grants	Capital Projects	Drainage Districts	Conservation Land Acquisition Trust	Total Governmental Nonmajor Funds
Revenues					
Intergovernmental Revenue	\$ 56,955	\$ 59,645	\$ 2,926	\$ 7,400	\$ 137,727
Charges for Services				12,059	16,388
Use of Money and Property				2,113	4,273
Miscellaneous			245,438		293,370
Total Revenues	<u>56,955</u>	<u>59,645</u>	<u>248,364</u>	<u>21,572</u>	<u>451,758</u>
Expenditures					
Current					
Public Safety and Legal Services					2,669
County Environment and Education Services	56,955		138,525	26,053	246,426
Administrative Services					5,412
Capital Projects		59,645			59,645
Total Expenditures	<u>\$ 56,955</u>	<u>59,645</u>	<u>138,525</u>	<u>26,053</u>	<u>314,152</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>109,839</u>	<u>(4,481)</u>	<u>137,606</u>
Fund Balances(Deficit) - Beginning of Year	-	2,265	(14,631)	27,721	101,572
Fund Balances - End of Year	<u>-</u>	<u>\$ 2,265</u>	<u>\$ 95,208</u>	<u>\$ 23,240</u>	<u>\$ 239,178</u>

HARRISON COUNTY, IOWA
Combining Schedule of Fiduciary Assets and Liabilities
June 30, 2006

	Agency Funds			
	County Offices			
	Board of Supervisors	County Recorder	County Sheriff	Agricultural Extension
Assets				
Cash and Pooled Investments				
County Treasurer		\$ 1,133		
Other County Officials	\$ 1,277	24,183	\$ 17,665	\$ 6,213
Receivables				
Accounts		805		
Interest				
Property Tax				
Delinquent				1,180
Succeeding Year				137,363
Special Assessments				
Current Drainage Assessments				
Future Drainage Assessments				
Due From Other Governments				
Total Assets	<u>1,277</u>	<u>26,121</u>	<u>17,665</u>	<u>144,756</u>
Liabilities				
Accounts Payable				
Salaries and Benefits Payable				
Due to Other Governments	1,277	26,121		144,756
Trusts Payable			17,665	
Total Liabilities	<u>\$ 1,277</u>	<u>\$ 26,121</u>	<u>\$ 17,665</u>	<u>\$ 144,756</u>

Agency Funds						
County Assessor	Schools	Area Schools	Corporations	Townships	Future Tax Payments	Preservation Commission
	\$ 149,850	\$ 7,149	\$ 64,127	\$ 3,383	\$ 919	\$ 400
\$ 1,239	73,073	2,969	18,780	1,558		
159,767	8,518,461	345,677	2,858,098	225,011		
161,006	8,741,384	355,795	2,941,005	229,952	919	400
183						
160,823	8,741,384	355,795	2,941,005	229,952	919	400
\$ 161,006	\$ 8,741,384	\$ 355,795	\$ 2,941,005	\$ 229,952	\$ 919	\$ 400

(Continued)

HARRISON COUNTY, IOWA
Combining Schedule of Fiduciary Assets and Liabilities
June 30, 2006

(Continued)

	Agency Funds			Brucellosis and Tuberculosis Eradication
	Auto License and Use Tax	City Special Assessments	Drainage Districts	
Assets				
Cash and Pooled Investments				
County Treasurer	\$ 275,710	\$ 1,961	\$ 88,654	\$ 291
Other County Officials				
Receivables				
Accounts				
Interest				
Property Tax				18
Delinquent				
Special Assessments		3,910		2,137
Future Drainage Assessments			20,205	
Due from Other Governments	36,309			
Total Assets	<u>312,019</u>	<u>5,871</u>	<u>108,859</u>	<u>2,446</u>
Liabilities				
Accounts Payable				
Salaries and Benefits Payable				
Due to Other Governments	312,019	5,871	108,859	2,446
Trusts Payable				
Total Liabilities	<u>\$ 312,019</u>	<u>\$ 5,871</u>	<u>\$ 108,859</u>	<u>\$ 2,446</u>

Agency Funds					
Emergency Management Services	Tax Redemption Trust	E-911 Service Commission	Cafeteria Plan	Driver's License Trust	Total
	\$ 24,742	\$ 102,484	\$ 1,673		\$ 722,476 49,338
		10			815
		1,810			1,810
					98,817
					12,244,377
					6,047
					20,205
\$ 11,270		23,210			70,789
11,270	24,742	127,514	1,673	-	13,214,674
6,899		46,939	186		54,207
4,371					4,371
	24,742	80,575	1,487		13,138,431
					17,665
\$ 11,270	\$ 24,742	\$ 127,514	\$ 1,673	-	\$ 13,214,674

HARRISON COUNTY, IOWA
Combining Schedule of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2006

	Agency Funds				
	County Offices				
Assets and Liabilities	Board of Supervisors	County Recorder	County Sheriff	Agricultural Extension	County Assessor
Balances Beginning of Year	\$ 1,277	\$ 43,052	\$ 13,399	\$ 133,476	\$ 246,772
Additions:					
Property and Other County Tax		69,151		131,517	136,087
E911 Surcharge					
State Tax Credits					8,454
State Allocation					
Drivers License Fee					
Office Fees and Collections		199,666	470,297		
Auto Licenses, Use Tax and Postage					
Assessments					
Miscellaneous		9			184
Total Additions	-	268,826	470,297	131,517	144,725
Deductions:					
Agency Remittances:					
To Other Funds					230,491
To Other Governments		285,757	466,031	120,237	
Trusts Paid Out					
Total Deductions	-	285,757	466,031	120,237	230,491
Balances End of Year	\$ 1,277	\$ 26,121	\$ 17,665	\$ 144,756	\$ 161,006

Agency Funds					
<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>Future Tax Payments</u>	<u>Preservation Commission</u>
<u>\$ 8,412,978</u>	<u>\$ 405,519</u>	<u>\$ 3,011,958</u>	<u>\$ 215,098</u>	<u>\$ 919</u>	<u>\$ 898</u>
8,320,950	335,894	2,752,933	222,116		
492,113	23,660	194,848	11,641		
			236		
<u>8,813,063</u>	<u>359,554</u>	<u>2,947,781</u>	<u>233,993</u>	<u>-</u>	<u>-</u>
8,484,657	409,278	3,018,734	219,139		498
<u>8,484,657</u>	<u>409,278</u>	<u>3,018,734</u>	<u>219,139</u>	<u>-</u>	<u>498</u>
<u>\$ 8,741,384</u>	<u>\$ 355,795</u>	<u>\$ 2,941,005</u>	<u>\$ 229,952</u>	<u>\$ 919</u>	<u>\$ 400</u>

HARRISON COUNTY, IOWA
Combining Schedule of Fiduciary Assets and Liabilities
For the Year Ended June 30, 2006

(Continued)

Assets and Liabilities	Agency Funds				
	Auto License and Use Tax	City Special Assessments	Drainage Districts	Brucellosis and Tuberculosis Eradication	Emergency Management Services
Balances Beginning of Year	\$ 592,350	\$ 9,257	\$ 92,457	\$ 3,112	\$ 15,712
Additions:					
Property and Other County Tax				2,004	
E911 Surcharge					
State Tax Credits				123	
State Allocation					314,989
Drivers License Fee					
Office Fees and Collections					
Auto Licenses, Use Tax and Postage	1,623,613				
Assessments		3,226	28,380		
Miscellaneous			81,969	2	
Total Additions	<u>1,623,613</u>	<u>3,226</u>	<u>110,349</u>	<u>2,129</u>	<u>314,989</u>
Deductions:					
Agency Remittances:					
To Other Funds			585		
To Other Governments	1,903,944	6,612	93,362	2,795	
Trusts Paid Out					319,431
Total Deductions	<u>1,903,944</u>	<u>6,612</u>	<u>93,947</u>	<u>2,795</u>	<u>319,431</u>
Balances End of Year	<u>\$ 312,019</u>	<u>\$ 5,871</u>	<u>\$ 108,859</u>	<u>\$ 2,446</u>	<u>\$ 11,270</u>

Agency Funds

<u>Tax Redemption Trust</u>	<u>E-911 Service Commission</u>	<u>Cafeteria Plan</u>	<u>Driver's License Trust</u>	<u>Total</u>
\$ 24,140	\$ 58,288	\$ 3,099		\$ 13,283,761
				11,970,652
	114,625			114,625
				730,839
				314,989
			\$ 43,440	43,440
238,033				907,996
				1,623,613
				31,606
	1,380	29,131		112,911
<u>238,033</u>	<u>116,005</u>	<u>29,131</u>	<u>43,440</u>	<u>15,850,671</u>
				231,076
237,431			43,440	15,291,915
	46,779	30,557		396,767
<u>237,431</u>	<u>46,779</u>	<u>30,557</u>	<u>\$ 43,440</u>	<u>15,919,758</u>
\$ 24,742	\$ 127,514	\$ 1,673	-	\$ 13,214,674

HARRISON COUNTY, IOWA
Schedule of Revenues By Source and Expenditures By Function -
All Governmental Fund Types
For The Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues				
Property and Other County Tax	\$ 5,336,897	\$ 5,491,423	\$ 5,508,332	\$ 5,126,278
Interest and Penalty on Property Tax	59,258	68,493	64,713	62,013
Intergovernmental	5,139,667	4,460,645	3,905,289	4,618,679
Licenses and Permits	22,645	25,131	22,815	26,124
Charges for Service	1,349,341	1,174,042	1,379,268	1,186,862
Use of Money and Property	317,305	193,104	185,799	264,786
Miscellaneous	867,002	550,539	674,031	702,420
Total Revenues	13,092,115	11,963,377	11,740,247	11,987,162
Expenditures				
Current				
Public Safety and Legal Services	1,749,112	1,693,019	1,809,631	1,666,704
Physical Health and Social Services	1,382,657	1,260,780	1,328,820	1,188,618
Mental Health	1,518,473	1,553,127	1,455,268	1,581,159
County Environment and Education Services	1,002,246	1,014,956	989,878	1,028,875
Roads and Transportation	5,244,431	4,594,896	4,555,537	4,383,475
Government Services to Residents	559,230	381,416	383,434	419,768
Administrative Services	1,086,407	1,029,062	1,061,809	1,122,944
Debt Service	564,952	566,562	508,414	499,709
Capital Projects	59,645	203,801	732,215	424,112
Total Expenditures	\$ 13,167,153	\$ 12,297,619	\$ 12,825,006	\$ 12,315,364



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Board of Supervisors
Harrison County, Iowa

We have audited the financial statements of Harrison County, Iowa, as of and for the year ended June 30, 2006 and have issued our report thereon dated May 1, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Harrison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harrison County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Harrison County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Item II-A-06.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions describe above, we believe Item II-A-06 and II-B-06 are material weaknesses. Prior year reportable conditions have been resolved except for Item II-A-05 and II-B-05.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Harrison County and other parties to whom Harrison County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Harrison County, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

William J. & Company P.C.
Certified Public Accountants

Onawa, Iowa
May 1, 2007

HARRISON COUNTY, IOWA
Schedule of Findings and Questioned Costs
June 30, 2006

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements including material weaknesses, see II-A-06.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Instances of non-compliance
No Matters were reported

Reportable Conditions

II-A-06. Segregation of Accounting Functions

Observation - An important aspect of internal control is the segregation of accounting functions among employees. Several incompatible accounting functions regarding cash receipts are handled by the same employee.

Recommendations - We recommend that one employee be designated to open the mail and make a prelist of receipts, one employee post the receipts and the employee who opens the mail make the bank deposit.

Response - Due to the limited number of personnel in the office it is not feasible at this time to break down the segregation of duties any further.

Conclusion - We realize there are a limited number of personnel available and we agree with the County's response. Our purpose in making this observation is to remind management of the careful attention and scrutiny of the records that is necessary when a limited number of personnel are available which makes ideal controls impossible.

- II-B-06. Information Systems - During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- o Password privacy and confidentiality.
- o Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- o Ensuring that only software licensed to the County is installed on computers.
- o Usage of the internet.
- o Requiring the use of an anti-virus program on computers.
- o Requiring user profiles to help limit access to programs to those who have a legitimate need.
- o Personal use of computer equipment and software.

Also, the County does not have a written disaster recover plan and does not require back up tapes to be stored off site daily in a fireproof vault or safe.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. A written disaster recover plan should be developed and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response – The County will comply in the future with these recommendations. County officials have discussed and agree that these policies are needed.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-06. Official Depositories - A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year.

III-B-06. Certified Budget - County expenditures during the fiscal year ended June 30, 2006 exceeded the amount budgeted in the County Environment and Education, Roads and Transportation, and Government Services to Residents functions. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion - Response accepted.

III-C-06. Entertainment Expense - We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-D-06. Travel Expense - No expenditures of County money for travel expense of spouses of County officials and/or employees were noted.

III-E-06. Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bruce Busing, Maintenance Employee Father of Mike & Matt Busing	Demolition Labor for Landing Performed by Mike and Matt Busing	\$ 119
Robert V. Smith, County Supervisor Husband of Cheryl Smith	Cleaning Performed by Cheryl Smith	2,860
Mary Jo Lyman Engineer's Office Employee,	Signs for Trucks Performed by Mary Jo Lyman	1,013
Tom Stoner, County Engineer Father of Lindsay Stoner	Summer help for Engineer Performed by Lindsay Stoner	3,305
Susan Bonham, County Auditor Mother of Steven & Sara Bonham	Election Duties Performed by Steven & Sara Bonham	94

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Maintenance Employee, the Engineer's Office Employee, and the Mother of the County Auditor do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

The transactions with the County Supervisor and the County Engineer might represent a conflict of interest.

III-F-06. Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions, but we suggest that the County review its coverage with the council and insurance agent.

III-G-06. Board Minutes - The minutes record was examined and appeared to give a condensed, accurate account of business transacted by the board. The County has represented to us that we were furnished a complete and official copy of all minutes of all meetings of the board.

III-H-06. County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in these financial statements. Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

III-I-06. Resource Enhancement and Protection Certification - The County properly dedicated enough property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

III-J-06. Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted, although the County's investment policy is not current.

Recommendation – The policy needs to be updated.

Response – The policy is currently being updated.

Conclusion – Response accepted.

III-K-06. Solid Waste Fee Retainage – There were no solid waste retainage fees used or retained during the year ended June 30, 2006.

III-L-06. County Ordinances – The County Board of Supervisors has not completed a compilation of County ordinances within the last five years as required by Chapter 331.302(a) of the Code of Iowa.

Recommendation – This compilation of County ordinances should be prepared and published as required.

Response – The County is currently working on this project.

Conclusion – Response accepted.